GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:454
ANSWERED ON:23.08.2001
SUBSIDY ON PETROLEUM PRODUCTS
THAAWAR CHAND GEHLOT

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government have formulated any scheme to provide subsidy on LPG and kerosene from Budgetary grants;

(b) if so, the details thereof;

(c) whether the Government have also decided to reduce its stake in oil companies and if so, the reasons therefor;

(d) the loss likely to be suffered or profit likely to be earned by the Government following this decision;

(e) the reasons for reduction in foreign capital in petroleum sector;

(f) the details of foreign capital investment in this sector during the last three years; and

(g) the effective steps taken by the Government to increase foreign capital investment in this sector?

Answer

MINISTER OF PETROLEUM & NATURAL GAS (SHRI RAM NAIK)

(a) to (g): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (g) OF THE LOK SABHA STARRED QUESTION NO.454 T
ANSWERED ON 23-08-2001 REGARDING SUBSIDY ON PETROLEUM PRODUCTS.

(a) & (b): As per the Government decisions of November 1997, subsidies on domestic LPG and Kerosene for public distribution system at 15% and 33.33% of import parity, respectively would be borne by the fiscal budget after dismantling of the administered pricing mechanism (APM). The modalities of administering subsidies have not been finalized as yet.

(c): The Government have decided to reduce their equity in selected oil companies to appropriate levels. The reasons for disinvestment include releasing of public resources locked up in Public Sector Undertakings (PSUs) for re-deployment in other priority sectors; exposing the PSUs to market discipline; reducing the public debt of Government; etc.

(d): The disinvestment of Government`s share would be carried through by following a transparent and objective procedure.

(e) & (f): There has been considerable inflow of foreign capital in exploration and production of oil and gas. However, foreign investment in some of the joint venture projects in the refining sector have not materialized on account of shrinking refining margins and reduced profitability being experienced by the refining companies globally.

(g): The Government have permitted foreign direct investment (FDI) up to 100% in exploration and production, oil refining, imports and marketing of natural gas, etc.

The number of foreign direct investment (FDI) approvals and amount involved is as follows:-

Period (Jan-Dec)	No. of FDI approval	FDI approved Amount (Rs. in crore)	Amount of FDI Inflows+ (Rs. in crore)
1998	37	10,109.48	563.56
1999	36	2,378.71	748.46

2000	34	989.39	484.02
2001			
(Jan-June)	9	92.85	108.99
Total	116	13,570.43	1,905.03+

Note: + The amount of inflows of FDI in the Fuels sector, includes the Power & Oil Refinery Sector.